

Managing the Books

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The purpose of this essay is to provide some suggestions and tools to prospective or current ITFNZ instructors on how to manage their club financials.

"Business or Pleasure"

An important decision you need to make after deciding to open your club or take over the reins of an existing club is whether you are going to structure it as either a non-profit club or a business.

If you decide you want to run your club as a business, either as a full time professional instructor or as a secondary income I would recommend the first thing you do is to get yourself an accountant.

You can still manage all the day-to day operations of your financials however your accountant can give you advice on registering for GST, what you can and can't claim for tax purposes and will ensure any tax owed to the Government is paid on time!

There are benefits to operating as a business as you can potentially claim for any expense that relates to the operating of your club, an example being expenses to attend a seminar. However you do also have to pay GST on any income as well so there is always a balance, generally in the favour of the Government unless you know what you are entitled to!

You are not required to register for GST unless your annual turnover exceeds \$40,000.00 exclusive of GST however if you are not registered for GST then you cannot claim your expenses.

If you are already in full or part-time employment you would be required to declare the extra income you are receiving from the business as a salary and pay tax on the income.

As a business you may find you are limited to apply for community funding for the club.

Structuring your Bank Account

As a non-profit organisation you can apply to the Inland Revenue Department for a tax exemption certificate. You can then open a bank account with the majority of the Banks and be classed as a "non-profit organisation" which can give you an interest bearing account for credit balances, nominal monthly fees and no cash handling transaction fees when you do your banking. Some Banks may open an account for you without the tax exemption certificate.

When you open your account you will be asked to complete an account mandate which records the details of your account and the signatories, that is the people that are authorised to operate the account.

You can choose to have one signatory on the account or else you can stipulate that two people must sign on the account at all times. You can have as many signatories as you like though usually three to four is enough.

When you open your account you should get a cheque book, a separate deposit book and it is useful to use a “supplementary deposit book” which you use to record details of all the cheques etc that you bank, which gives you a good record of all your deposits.

You should try to bank your fees on a regular basis. This ensures that you have a good cashflow to pay any bills and also people don't like having cheques outstanding for too long. The longer you leave it to bank a cheque the greater the risk that people haven't accounted for it and the potential the cheque may not be cleared by their bank. A cheque is valid for six months from the date of issue before it is considered to be “stale” and will not be honoured by the bank.

You can also recommend that your students set up an automatic payment to pay their fees. This can save administration time for you.

It is useful to receive regular bank statements, monthly is usually enough unless you have a lot of transactions going through your account. However in this modern age you can now access your bank accounts via the Internet so you can always get up to date information on your account.

Membership Fees

What you choose to charge by way of training fees will largely be dictated to by your costs, mainly your hall hire, and what the market dictates taking into consideration the socio-economic situation in your area.

It also pays to survey clubs in your area to see what they are charging and keep largely in line with them however as ITFNZ (Inc) has no governance around training fees you can really charge what you like.

You will find that the fees charged by our clubs are very reasonable as most students can get at least nine one-half hour training sessions a month in at their own club as well as being able to attend other clubs at no extra cost.

Where ITFNZ (Inc) is concerned new members are charged a one-off joining fee of \$20.00 and from then clubs are charged an annual registration fee per member of \$20.00. (Discounts apply to family groups). You can choose to pay this fee out of the club funds or pass it on to your members.

Some things to consider when setting your member ship fees are:

- **Will you charge a club joining fee on top of the ITFNZ (Inc) membership fee?**

There are no restrictions on whether you charge a fee to join your club.

- **Will you offer a discounted rate to students and unwaged?**

Depending on how reasonable your fees are you may not need to differentiate between student's etc. Remember though with school students it's the Mums and Dad's who pay

the fees and they are good at ensuring their kids turn up if they are paying for it so don't make it too cheap because then it can be easy to not turn up if it's not costing us.

- **Will you offer a discounted rate to families and if so what constitutes a family?**
Taekwon-Do these days sees a lot more families training together which is a good thing. ITFNZ (Inc) recognises families in its fee structure for gradings and seminars.
- **Will you charge blackbelts or offer discounted fees to those who regularly assist at your club?**
Depending on the number you have you may want to charge them. Also remember that the blackbelts still get the benefits from your training, we have 12 in our club and a 5th degree instructor and I'm still learning after nearly 20 years!
- **How often will you charge fees? Some clubs offer discounted 3, 6 & 12 month rates.**
Monthly is the norm, however discounted 3, 6 & even 12-month rates paid in advance can be attractive to some people.
- **Do you charge people regardless of their attendance?**
Personally I think definitely. You still have to pay your gym membership where or not you use it. If people are away for a long period, maybe with injury or overseas travel and they have advised you then that would be fair.
- **How will you deal with non-payers?**
The best thing is to keep on top of these things and as soon as people fall behind in fees you need to address it. The longer you leave it the more people end up owing and for some people it is harder for them to come up with all the money in one go. You can give them a notice advising how much they owe and for what period and let them know that if they are having trouble paying their fees then they should speak to you directly. You can then decide if you will allow them to be paid off in instalments. If people don't pay you will then have to decide if you are going to allow them to continue training, however usually if it has got this far these people are not longer turning up and unfortunately the chances of you recovering your money become slim.

As I have said previously you can structure your club however you like, the comments above are my opinion only and you can choose to disregard them.

Once you have decided on how you want to structure your fees it is useful to prepare a handout that can be given to all members detailing your fees and when they should be paid. ie. fees are due in the first week of the month. It is important to make sure people are aware of this as it is easy for people to forget to pay and late-payers can then become non-payers and then you will have to spend time chasing them up.

Collecting and recording of fees

You may find it useful to have a senior member or parent manage the collection of fees as your time before and after class is often taken up with other people.

If you have a computer it is easy to set up an excel spreadsheet to record your fees on. This can be printed out and used and then updated later as required.

Alternately you can purchase an accounting journal and record it in the same way. You may find it useful to keep an attendance register as well.

You should record all payments, especially cash, in a self-carbonated receipt book and give the student or parent the receipt. This way you both have a record of the transaction.

It is also useful to record your club income and expenditure in some form of accounting journal and keeping a monthly balance sheet.

It doesn't need to be complicated, simply recording and tallying up your fees on a monthly basis so you can clearly see how much income your club is receiving and where your money is being spent. It helps you to see if you are receiving enough income to meet your outgoings and highlights if you have outstanding fees owed to the club, whether or not you need to increase your income by reviewing your fees or possibly doing a membership drive.

You may find that there are peaks and troughs in the numbers within your club and this is normal however this does impact on your income and as your expenses generally remain constant it is prudent to have some money put aside to manage through these times. The hardest times financially for a club are usually when you are just starting out and some instructors may find they are carrying the club financially for a period until the membership increases and the club starts to pay it's own way. However as a new club you can apply to your region for financial assistance.

Paying the bills

The biggest expense for any club will be the cost of hall hire. Most of our clubs train out of school halls, gymnasiums or community halls. Often schools will charge you on a term by term basis however you may find it preferable to be billed on a monthly basis in line with your fees. This means you don't need to hold money aside for three months to pay for hall hire.

If you are registered for GST you will be able to claim the GST portion of your hall hire.

ITFNZ (Inc) will bill your club annually for your club and your student annual membership. This account needs to be paid prior to the AGM for you to be entitled to vote on any issues tabled at the AGM or for the election of officers to the ITFNZ (Inc) executive.

Requests for funding

ITFNZ (Inc) has a grant scheme whereby clubs and individuals can apply on an annual basis for funds for equipment and other Taekwon-Do related expenses.

You are required to meet 50% of the cost of the project.

There are also a number of community based grant schemes where you can apply for funding. We have found that the purchase of equipment, which will be used by all members, is often supported by these organisations. You will be required to provide quotes to support your

application and some organisations may ask for copies of bank statements or a balance sheet so they can ascertain your financial position.

Therefore it is important to keep a good record of your income and expenditure for your club.

So who own the “club” and it’s assets?

ITFNZ (Inc) is a non-profit incorporated society to which our clubs are affiliated. When you apply to ITFNZ (Inc) to open a club you are in fact asking to be an affiliated member of ITFNZ (Inc).

ITFNZ (Inc) currently has no governance around how an Instructor manages their club on a financial basis. That is, there is no governance around how much a club charges for training fees and how the money in the club is spent. In essence the club instructor “owns” the club and it’s income and assets. ITFNZ (Inc) is only the beneficiary of the student membership and club fees that are the cost to affiliate to ITFNZ (Inc).

For the most part this have not been an issue however some years ago I was involved in a situation where a club instructor believed he was entitled to all the money within the club. He subsequently cleaned the bank account out to the tune of \$2500.00 and left taking all the club equipment and owing \$1,900.00 in hall hire in the club’s name.

The club had a membership of over 40 active members and when approached ITFNZ (Inc) was unable to offer any financial assistance. To keep the club going a member paid the money owing for the hall hire and the club repaid the member over the next 9 months.

ITFNZ (Inc) did however write to the instructor asking him to return the club equipment after complaints from members of the club who believed the equipment was the property of the club as they had actively fundraised for that equipment and more.

The equipment was never returned, in fact it was sold to another local instructor who offered to sell it back to the new club instructor when he immigrated to Australia! Incomprehensible especially as it was no secret within the region as to what had happened. (The second tenet of Taekwon-Do being?)

This example highlights the issue around the financial management and “ownership” of a club and it’s assets.

Not many people become millionaires out of Taekwon-Do and the majority of ITFNZ (Inc) instructors are in it for the love of the art and the contribution that they make to others within their community.

Currently within ITFNZ the majority of instructors do not run their clubs as a business, some draw a nominal income from them, some draw nothing at all. As there is no governance from ITFNZ (Inc) in place surrounding this at the end of the day it is the instructors right to do as he or she wishes with the club money.

This also leaves ITFNZ (Inc) open to questions from members as to inconsistencies across the clubs, an example being why one club charge's \$35.00 per month fees and another down the road only charge's \$25.00 per month or that one club offers a discount to families and another doesn't.

Furthermore in these days of professionalism within sport and the philosophy of "user pays" more people now ask what they are getting for "their" money and how that money is being used.

So should ITFNZ (Inc) place some governance around how a club is structured financially?

Would this provide a more consistent approach across the clubs and protection for instructors and student of Taekwon-Do?

Would this deter potential instructors from opening clubs if they felt they could not have complete financial ownership?

I personally would be interested to see ITFNZ (Inc) consider placing some governance around club's financially as I have been on the other side where a well-established club with a strong membership was left out in the cold by ITFNZ (Inc) as they failed to provide financial support to the club and it's members, in essence failing to provide support to ITFNZ (Inc) members.

If it had not been for the dedicated senior members within the club who rallied together and a young blackbelt who took over the helm, the club would no longer exist.